



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Cedar City Field Office
176 East DL Sargent Drive
Cedar City, Utah 84720

In Reply Refer To:

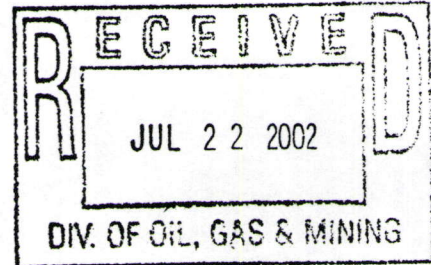
UT-040

3600: UTU-79326, Newcastle Sales Contract

UTU-79327, Beryl Jct. Sales Contract -

S/21/033

S/21/032 *



July 19, 2002

Mr. Preston Hafen
Color Country Rock, LLC
291 E 1400 S #1
St. George, UT 84790

Dear Mr. Hafen:

This letter is in regard to materials sales contracts UTU-79326 (Red Devil #1 Quarry) northeast of Newcastle, Utah, and UTU-79327 (Rhyolite #1 Quarry) southwest of Beryl Jct., Utah. The Red Devil Quarry contract was a one-year contract covering the period 7/27/2001 through 7/27/2002 and the Rhyolite Quarry contract was a one-year contract covering the period 6/30/2001 through 6/30/2002. Both contracts were for 5,000 cyds of crushed decorative rock using a royalty rate of \$0.40/cyd. The royalty for both contracts was paid in full at the time of contract issuance.

I spoke to you via telephone on July 18, 2002 regarding the status of these contracts. You reported that 500-1000 tons had been removed to date from the Rhyolite site but that no material had been recovered from the Red Devil site. You indicated that the Red Devil site would be impractical to operate given the necessary operating restrictions attached to the contract. You requested that the Red Devil site be closed out and the unused royalty paid for the two sites be combined and transferred to the Rhyolite site, and that the contract period at the Rhyolite site be extended for a year to allow for removal of the purchased rock. I replied that such an adjustment would be possible subject to a royalty rate adjustment from the original contract rate of \$0.40/cyd, which had been utilized in error, to the correct rate of \$0.80/ton for crushed decorative rock.

Enclosed is a contract extension to cover the Rhyolite #1 Quarry site for an additional one-year term from 7/30/2002 through 7/30/2003. The contract amount will be 5,000 tons of material, reflecting the \$4000.00 worth of royalty paid and the correct royalty rate of \$0.80/ton for crushed decorative rock. Please sign the contract extension and return the original to this office.

It will also be necessary for you to post a reclamation bond to cover all anticipated site disturbance within the contract period for the Rhyolite quarry. The reclamation bond amount should be calculated at the rate of \$1,500.00/acre disturbed. As of July 19, 2002, total site disturbance at the Rhyolite site was found to be 1.5 acres. ***You have until August 30, 2002 to post the necessary reclamation bond or the contract is suspended until the bond is posted.*** I have enclosed the guidelines to be followed for submission of the necessary bond. Typically companies the size of Color Country Rock submit personal bonds secured by a certificate of deposit, cash, or irrevocable letter of credit. I have enclosed the personal bond form to be submitted along with the certificate of deposit, cash, or irrevocable letter of credit.

If you have any questions, please feel free to contact me at 435-865-3040.

Sincerely,



Ed Ginouves
Mining Engineer

Enclosure: UTU-79327 contract extension
 43 CFR 3600 Bond Guidelines & Personal Bond Form

cc. Doug Jensen, DOGM